



# Wheat Ridge Water District

DIRECTORS

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January 27, 2005

Mr. Lawrence W. Smith  
Director of Technical Application and Implern  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5115

Letter of Comment No: //  
File Reference: AICPA ICG

Dear Mr. Smith,

We have learned that the AICPA Investment Companies Expert Panel and Accounting Standards Executive Committee recently provided you with an issues paper requesting guidance on generally accepted accounting principles for valuing fully benefit responsive investment contracts held by non-registered companies (commingled stable value funds).

Our plan would like for you to consider the impact that your decision will have on the **Wheat Ridge Water District** and other small and medium plan investors nationwide who are only able to realize the full benefits of stable value by investing through commingled stable value funds. Stable value funds are an integral component of our retirement program for the employees of the **Wheat Ridge Water District**.

Stable value has and continues to be a popular investment option for our plan participants as it provides them with returns that are similar to an intermediate bond fund with risk levels comparable to a money market fund. The funds provide an essential balance against the risk of equity funds in long-term portfolios. Stable value's attractiveness as an investment option stems from returns that average 2%-4% greater than money market investments, without a corresponding increase in risk. Currently, our plan's stable value assets are invested in the Vantage Trust PLUS Fund managed by the ICMA Retirement Corporation.

We believe that it is imperative to preserve the current commingled stable value fund accounting treatment for fully benefit responsive investment contracts as commingled funds are the only vehicle that will allow our small plan to realize the diversification and portfolio efficiency (lower risk and higher return) of larger plans.

In our opinion, an unfavorable decision by the Financial Accounting Standards Board would have a disparate impact on the **Wheat Ridge Water District** small and large defined contribution plans. The expected differences would be reflected by unequal performance, risk and cost profiles for both small and large plans:

- 1) **REDUCED PERFORMANCE:** An unfavorable decision would create a two-tiered stable value portfolio structure. There would be efficient (higher return) portfolios for large plans (plans with more than 25 million in stable value assets), and less efficient (lower return) portfolios for small- and mid-size plans such as the plan the **Wheat Ridge Water District** participates in. This would negatively impact small- and mid-sized plans, and provide only the largest plans the opportunity to realize the most attractive returns in the stable value marketplace. **All public sector employees should have equal opportunity for return on investment regardless of the plan size.**
- 2) **INCREASED RISK:** In addition to access to higher return portfolios, large plans would also be able to more broadly diversify their portfolios, thereby, reducing the risk to plan participants. It is estimated that small- to mid-size will only be able to diversify among 15-25 different issuers while large plans will have the ability to diversify among hundreds of different issuers. Also, fund managers such as ICMA-RC who set high credit quality standards may be forced to purchase securities of lower-rated firms in order to meet the Fund's investment demands.
- 3) **INCREASED COST:** An unfavorable decision by the FASB would increase the cost of stable value investing for participants, plan sponsors and plan profiteers. ICMA-RC anticipates increased administrative and operational costs resulting from a decision to change accounting procedures for commingled stable value funds. Increased costs from the employer and ICMA-RC will reduce the rate of return even further.

It is important to note that stable value funds have a history of being an efficient and beneficial investment vehicle for defined contribution investors. No investor has ever experienced a loss from a stable value investment. There is no reason to change the investment accounting standards for these funds.

**The Wheat Ridge Water District, as a public sector employer, encourages the FASB to consider the public policy and social impacts of their decision. An unfavorable ruling will place small- and mid-size plan at a competitive disadvantage to larger plans. It will also lower the retirement returns of thousands of workers serving small towns, counties, and special districts such as the **Wheat Ridge Water District** throughout America.**

We urge you to allow stable value funds to continue meeting the retirement needs of our employees.

Sincerely,



Walt Pettit, District Manager  
Wheat Ridge Water District